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Agenda Item 4

October 17, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Delegation Resolutions relevant to the Absolute Return Strategies (ARS) Program
- II. PROGRAM:** Absolute Return Strategies
- III. RECOMMENDATION:**
- a. Approve Revision of Global Equity Professional Staff Delegation Resolution
 - b. Adopt Absolute Return Strategies Program Professional Staff Delegation Resolution

IV. ANALYSIS:

Staff recommends the Investment Committee approve the revised Global Equity Professional Staff Delegation Resolution (Global Equity Delegation) and adopt the Absolute Return Strategies Program Professional Staff Delegation Resolution (ARS Program Delegation).

The following documents are attached for the Investment Committee's review:

- Revised Global Equity Delegation (Attachment 1)
- New ARS Program Delegation (Attachment 2)
- Guidelines for Delegating Investment Authority (Attachment 3)
- An opinion letter on the revised Global Equity Delegation and the new ARS Program Delegation from the Investment Committee's General Consultant, Wilshire Consulting (Attachment 4)

The delegation resolutions reflect the separation of the Absolute Return Strategies Program (ARS Program) from Global Equity. ARS Program personnel now report directly to the Chief Investment Officer, instead of the Senior Investment Officer (SIO)-Global Equity. Therefore the ARS Program delegation of authority has been transferred from the SIO-Global Equity to the Chief Investment Officer. In addition, the Global Equity delegation of authority is being revised to explicitly delegate authority to the Chief Investment Officer in addition to the SIO-Global Equity.

Please note that the Statement of Investment Policy for the ARS Program (ARS Policy) is currently being amended and will be reviewed by the Investment Policy Subcommittee at its October meeting. The ARS delegation attached to this memorandum will be modified as appropriate to reflect the amended ARS Policy.

V. RISKS:

Adopting the new Absolute Return Strategies Program delegation resolution has the primary risk of enabling only one CalPERS investment professional, the Chief Investment Officer, to take action with respect to the ARS Program. This is a temporary situation until a permanent head of ARS is recruited. There is no inherent change in investment risks resulting from these delegation changes. Failure to approve the delegations would leave the SIO-Global Equity with authority over a program which the SIO-Global Equity no longer supervises. This is not best practice with respect to properly delegated authority.

VI. STRATEGIC PLAN:

- Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first to pay benefits and second, to minimize and stabilize contributions.
- Goal IX: Achieve long-term, sustainable risk adjusted returns.

VII. RESULTS/COSTS:

The results of this item will provide CalPERS with updated delegations to reflect current organization structure.

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Members of the Investment Committee
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